



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB3014

Introduced 1/20/2006, by Sen. Dale A. Righter - Christine Radogno - Kirk W. Dillard - Peter J. Roskam - Adeline Jay Geo-Karis

SYNOPSIS AS INTRODUCED:

35 ILCS 5/216 new
820 ILCS 153/5

Amends the Illinois Income Tax Act. Provides that a taxpayer providing health insurance and a medical care savings account to its employees shall receive a tax credit of up to \$1,000 per employee. Provides that an employer that establishes a medical care savings account after the effective date of the amendatory Act shall receive a tax credit of up to \$1,200 per employee for the first year and \$1,000 thereafter. Amends the Medical Care Savings Account Act of 2000 to permit employees to make contributions to medical care savings accounts. Effective immediately.

LRB094 18956 LJB 54415 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning medical care savings accounts.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by adding
5 Section 216 as follows:

6 (35 ILCS 5/216 new)

7 Sec. 216. Credit for medical care savings account
8 contributions.

9 (a) For taxable years ending on or after December 31, 2006
10 and on or before December 30, 2011, each taxpayer who, during
11 the taxable year, makes contributions to medical care savings
12 accounts under the Medical Care Savings Account Act of 2000 and
13 provides health insurance to employees is entitled to a credit
14 against the tax imposed by subsections (a) and (b) of Section
15 201 in an amount equal to the contributions made to the medical
16 care savings account, up to \$1,000 per employee if the medical
17 care savings accounts were established before the effective
18 date of this amendatory Act of the 94th General Assembly. If
19 the taxpayer establishes medical care savings accounts on or
20 after the effective date of this amendatory Act of the 94th
21 General Assembly, the credit shall be up to \$1,200 per employee
22 for the first year and \$1,000 per employee thereafter.

23 (b) If the taxpayer is a partnership or Subchapter S
24 corporation, the credit is allowed to the partners or
25 shareholders in accordance with the determination of income and
26 distributive share of income under Sections 702 and 704 and
27 Subchapter S of the Internal Revenue Code.

28 (c) The credit may not be carried forward or back. In no
29 event shall a credit under this Section reduce the taxpayer's
30 liability to less than zero.

31 Section 10. The Medical Care Savings Account Act of 2000 is

1 amended by changing Section 5 as follows:

2 (820 ILCS 153/5)

3 (Section scheduled to be repealed on January 1, 2010)

4 Sec. 5. Definitions. In this Act:

5 "Account administrator" means any of the following:

6 (1) A national or state chartered bank, a federal or
7 state chartered savings and loan association, a federal or
8 state chartered savings bank, or a federal or state
9 chartered credit union.

10 (2) A trust company authorized to act as a fiduciary.

11 (3) An insurance company authorized to do business in
12 this State under the Illinois Insurance Code or a health
13 maintenance organization authorized to do business in this
14 State under the Health Maintenance Organization Act.

15 (4) A dealer, salesperson, or investment adviser
16 registered under the Illinois Securities Law of 1953.

17 (5) An administrator as defined in Section 511.101 of
18 the Illinois Insurance Code who is licensed under Article
19 XXXI 1/4 of that Code.

20 (6) A certified public accountant registered under the
21 Illinois Public Accounting Act.

22 (7) An attorney licensed to practice in this State.

23 (8) An employer, if the employer has a self-insured
24 health plan under the federal Employee Retirement Income
25 Security Act of 1974 (ERISA).

26 (9) An employer that participates in the medical care
27 savings account program.

28 "Deductible" means the total deductible for an employee and
29 all the dependents of that employee for a calendar year.

30 "Dependent" means the spouse of the employee or a child of
31 the employee if the child is any of the following:

32 (1) Under 19 years of age, or under 23 years of age and
33 enrolled as a full-time student at an accredited college or
34 university.

35 (2) Legally entitled to the provision of proper or

1 necessary subsistence, education, medical care, or other
2 care necessary for his or her health, guidance, or
3 well-being and not otherwise emancipated, self-supporting,
4 married, or a member of the armed forces of the United
5 States.

6 (3) Mentally or physically incapacitated to the extent
7 that he or she is not self-sufficient.

8 "Domicile" means a place where an individual has his or her
9 true, fixed, and permanent home and principal establishment, to
10 which, whenever absent, he or she intends to return. Domicile
11 continues until another permanent home or principal
12 establishment is established.

13 "Eligible medical expense" means an expense paid by the
14 taxpayer for medical care described in Section 213(d) of the
15 Internal Revenue Code.

16 "Employee" means the individual for whose benefit or for
17 the benefit of whose dependents a medical care savings account
18 is established. Employee includes a self-employed individual.

19 "Higher deductible" means a deductible subject to a minimum
20 and maximum established for 1999 by the Department of Revenue
21 under the Medical Care Savings Account Act. The minimum and
22 maximum shall be adjusted for 2000 and annually thereafter by
23 the Department of Revenue to reflect increases in the consumer
24 price index for the United States as defined and officially
25 reported by the United States Department of Labor.

26 "Medical care savings account" or "account" means an
27 account established in this State pursuant to a medical care
28 savings account program to pay the eligible medical expenses of
29 an employee and his or her dependents.

30 "Medical care savings account program" or "program" means a
31 program that includes all of the following:

32 (1) The purchase by an employer of a qualified higher
33 deductible health plan for the benefit of an employee and
34 his or her dependents.

35 (2) The contribution (i) by an employee into a medical
36 care savings account or (ii) on behalf of an employee into

1 a medical care savings account by his or her employer of
2 all or part of the premium differential realized by the
3 employer based on the purchase of a qualified higher
4 deductible health plan for the benefit of the employee. An
5 employer that did not previously provide a health coverage
6 policy, certificate, or contract for his or her employees
7 may contribute all or part of the deductible of the plan
8 purchased pursuant to paragraph (1). A contribution under
9 this paragraph may not exceed the maximum amounts
10 established for 1999 by the Department of Revenue for 2
11 taxpayers filing a joint return, if each taxpayer has a
12 medical care savings account but neither is covered by the
13 other's health coverage, and for all other cases. The
14 maximum amounts shall be adjusted for 2000 and annually
15 thereafter by the Department of Revenue to reflect
16 increases in the consumer price index for the United States
17 as defined and officially reported by the United States
18 Department of Labor.

19 (3) An account administrator to administer the medical
20 care savings account from which payment of claims is made.
21 Not more than 30 days after an account administrator begins
22 to administer an account, the administrator shall notify in
23 writing each employee on whose behalf the administrator
24 administers an account of the date of the last business day
25 of the administrator's business year.

26 "Qualified higher deductible health plan" means a health
27 coverage policy, certificate, or contract that provides for
28 payments for covered benefits that exceed the higher deductible
29 and that is purchased by an employer for the benefit of an
30 employee for whom the employer makes deposits into a medical
31 care savings account.

32 (Source: P.A. 91-845, eff. 6-22-00.)

33 Section 99. Effective date. This Act takes effect upon
34 becoming law.